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UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA

In re	No.	01-30923 DM
PACIFIC GAS AND ELECTRIC COMPANY,	Chapter	11
Debtor.	Date:	July 7, 2003
	Time:	1:30 p.m.
	Ctrm:	235 Pine Street, 22 nd Floor San Francisco, California

**COMMENTS OF UNITED STATES TRUSTEE AND REQUEST THAT THE COURT
REVIEW THE REASONABLENESS OF THE PROFESSIONAL FEES FOR THE CURRENT
PERIOD (12/01/02 - 3/31/03)**

Pursuant to the Court's Order Establishing Interim Fee Application and Expense Reimbursement Procedure, entered July 26, 2001, the Office of the U.S. Trustee has received electronic transmission of various professionals' monthly invoices and formal fee applications. These electronic transmissions have been uploaded into a database, data from which can then be downloaded into an Excel spreadsheet which allows an in-depth analysis of each fee application using a variety of methods.

Using the method described above, Bankruptcy Analyst Patricia Martin has reviewed the professionals' fee applications which are the subject of this hearing. See Declaration of Patricia Martin and the Report of Professional Fees and Expenses for Current

1 Period (12/01/02 - 3/31/03) and Cumulative Case to Date (4/06/01 - 3/31/03) which is
2 attached to the declaration as Exhibit 1 and filed herewith. It is the intent of the report to
3 give the court, the debtor, the creditors' committee, and interested parties (a) a broad
4 overview of the cost of the bankruptcy case; (b) an approximation of the cost of specific
5 matters so the court and knowledgeable parties can assess the reasonableness of fees; and
6 (c) sufficient detail with respect to attorneys, accountants, billing rates, billing trends to
7 isolate areas in which better billing discretion might be utilized.

8 Pursuant to § 330 of the Bankruptcy Code, this Court has an independent duty, equal
9 to that of the parties in interest and the U.S. Trustee, to review and reach conclusions
10 regarding the reasonableness of fees and costs requested by professionals. We suggest
11 the following areas deserve additional scrutiny by the Court and knowledgeable parties for a
12 determination of reasonableness and potential reduction by the Court in the independent
13 exercise of its discretion:

14 (a) **Antitrust Claims Estimation Trial - Howard Rice**. In late November,
15 2002, a stipulation was entered into by PG&E and objecting parties whereby they agreed to
16 expedited discovery and an abbreviated trial to determine what amount of damages, if any,
17 PG&E should project in its plan for the Objectors' antitrust claims for feasibility purposes
18 only. The stipulation provided for a 3 day trial with a maximum of 5 percipient witnesses and
19 three expert witnesses per party. The trial took place on January 27, 28, and 29, 2003.
20 Proposed findings of fact and conclusions of law were submitted on March 26, 2003. One
21 measure of the reasonableness of fees is to compare how much the opposing party incurred
22 in legal expenses; that information is unavailable. Howard Rice's hours and fees in this
23 matter, alone, for the period of December - March, 2003 (the post stipulation period) totaled
24 5,418.9 hours and \$1,451,781. During the prior fee application period, the firm addressed
25 and researched the same objections charging 2,959.8 hours and \$858,164. Combined,
26 debtor's counsel has billed **8,378.7 hours** for a total of **\$2,309,945** on the antitrust claims
27 objections. Please refer to Exhibit 1 - E-4 for a breakdown of Howard Rice's hours and fees
28 in this billing category.

1 (b) **FERC Refund Proceedings - Heller Ehrman.** During this billing
2 period, the Heller firm took extensive discovery over a 100 day period and filed a report with
3 the FERC related to their findings of potential market manipulation by electricity sellers
4 during California's energy crisis. It appears the firm utilized attorneys and paralegals in its
5 Washington, D.C., Seattle, Portland and San Francisco offices in the discovery effort. The
6 firm charged **\$3,223,402** for a total of **12,383.1 hours** in this matter for the four month
7 period. This represents 20.81% percent of all the hours billing by all professionals during
8 this billing period (12,383.1/59,491.5) and 17.6% of all the fees (\$3,223,402/\$18,311,253).
9 These fees deserve special scrutiny because of their magnitude, the number of
10 shareholder-attorneys involved, and because no explanation was provided as to the
11 delegation of the project between the various Heller offices. For example, assuming Heller's
12 FERC expertise resides in its Washington, D.C. office, what added benefit did its San
13 Francisco office provide for \$127,737? Please see Exhibit 1 - F-4 for an analysis of Heller's
14 fees in this category, broken down by office.

15 (c) **Cooley, Godward - Increase in Paraprofessionals.** An anomaly
16 appeared in the Cooley firm's fee application during this billing period. Please see Exhibit 1
17 - G-2. Normally, as your attorneys' fees reduced, there is a corresponding reduction in
18 paraprofessional/staff hours and vice versa. Inexplicably, Cooley's para-professionals hours
19 **increased significantly (+ 1,422.9 hours or + \$206,381)** while its partners' hours/fees and
20 associates hours decreased (-1,182.7 and -3,324.4 hours respectively).

21 (d) **Status of PG&E Plan Implementation with Regulatory Agencies.** As
22 of March 31, 2003, professionals involved in this case have billed **45,871.7 hours** or
23 **\$12,457,146** in proceedings and matters related to the regulatory applications necessary to
24 implement PG&E's plan on the assumption it will go forward as proposed. The primary
25 professionals charging services in this matter are Deloitte Touche (prospective audit of the
26 proposed successor entities - \$3.6 million), Skadden Arps (primarily transmission-related
27 matters - \$1.68 million) and Winston Strawn (\$2.45 million). None of the professionals' fee
28 narratives provide a status report on the regulatory applications themselves. If the

confirmation trial is stayed to allow for possible settlement, can the regulatory application process be stayed as well without detrimental effects? Please see Exhibit-1-D-3.

(e) **Expert Consultant's Fees Being Processed as Expenses - Heller Ehrman.**

Heller Ehrman's expense reimbursement request includes \$35,642.21 worth of unspecified expert consulting fees^{1/} billed to the FERC refund proceeding:

Billing Category: 13779-0063		
Billing Matter: Electric Market Failures		
Date	Amount	Description
01/30/2003	6,312.50	REQUEST#: 316548; DATE: 1/30/2003 - Expert Consultant Fees - expert services rendered during the period of 01/12-16/03
02/10/2003	17,194.29	REQUEST#: 317973; DATE: 2/10/2003 - Expert Consultant Fees - expert services rendered during the period of 01/10/03 to 02/09/03
02/11/2003	7,805.42	VENDOR: Consultant - INVOICE#: 2110351; DATE: 2/11/2003 - Expert Consultant Fees - expert consulting services rendered during the period of 01/27/03 to 02/07/03
\$35,642.21 TOTAL		

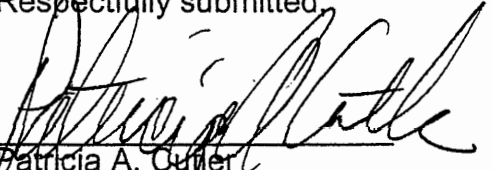
CONCLUSION

Based upon the foregoing, we submit that the Court should scrutinize the areas outlined above and consider the reasonableness of the requests, and whether to reduce the fees or request additional justification.

Date: June 17, 2003

Respectfully submitted,

By


Patricia A. Culler
Assistant U.S. Trustee

^{1/}We do not know who they are, and they do not appear to have been employed by this court.

1 **PROOF OF SERVICE**

2
3 I, the undersigned, state that I am employed in the City and County of San Francisco, State
4 of California, in the office of the United States Trustee, at whose direction the service was made; that
5 I am over the age of eighteen years and not a party to the within action; that my business address is
6 250 Montgomery Street, Suite 1000, San Francisco, California 94104, that on the date set Out below,
7 I served a copy of the attached:

8 **COMMENTS OF UNITED STATES TRUSTEE AND REQUEST THAT THE COURT**
9 **REVIEW THE REASONABLENESS OF THE PROFESSIONAL FEES FOR THE**
10 **CURRENT PERIOD (12/01/02 - 3/31/03)**

11 **DECLARATION OF PATRICIA A. MARTIN RE UNITED STATE TRUSTEE'S REPORT**
12 **ON PROFESSIONAL FEES FOR CURRENT PERIOD (12/01/02 - 3/31/03) AND**
13 **CUMULATIVE CASE TO DATE (4/06/01 - 3/31/03)**

14 by placing such a copy, enclosed in a sealed envelope, with prepaid postage thereon, in the United
15 States mail at San Francisco, California, addressed to each party listed below.

16 James L. Lopes
17 William J. Lafferty
18 Howard Rice Nemerovsky et al.
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20 San Francisco, CA 94111-4065

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San Francisco, CA 94105

29 I declare under penalty of perjury that the foregoing is true and correct. Executed at San
30 Francisco, California on June 17, 2003.

31 By

Yung Nor Wong